

**2026 LiveLaw (SC) 240**

**IN THE SUPREME COURT OF INDIA  
CIVIL APPELLATE JURISDICTION**

**J.B. PARDIWALA; J., R. MAHADEVAN; J.**

**MARCH 13, 2026**

**CIVIL APPEAL NO. 3362 OF 2026 [Arising out of SLP (C) No. 2122 of 2022]**

**OM SAKTHI SEKAR *versus* V. SUKUMAR & ORS.**

**Recovery of Debts Due to Banks and Financial Institutions Act, 1993 – Auction Sale – Finality of Sale vs. Adequacy of Valuation – Limited Remand – The Supreme Court upheld the High Court's direction to remit the matter to the Debts Recovery Tribunal (DRT) for the limited purpose of reconsidering the valuation of properties, even after the auction sale was confirmed - While the rights of a bona fide auction purchaser deserve protection, this protection is not absolute - If credible issues regarding the adequacy of valuation or the fairness of the reserve price fixation arise, the court may invoke its supervisory jurisdiction to ensure the recovery process realized the maximum possible value for the secured asset.**

**Recovery Proceedings – Objective of Auction – The primary goal of an auction is to obtain the most remunerative price for a property through competitive bidding, ensuring transparency and fairness - A process that compromises competitive bidding increases the risk of underbidding or inadequate pricing - The principle of finality in judicial sales does not shield the process from examination regarding valuation or reserve price fixation - Recovery processes must be fair, transparent, and based on proper value assessments to balance the interests of both creditors and borrowers – Appeal dismissed. [Relied on *Rajiv Kumar Jindal v. BCI Staff Welfare Association* (2023) 238 Comp Cas 227: 2023 SCC OnLine SC 507; Paras 15-19]**

*For Petitioner(s): Mr. Nachiketa Joshi, Sr. Adv. Mr. Sai Shashank, Adv. Mr. Monu Kumar, Adv. Mr. Ayush Anand, AOR.*

*For Respondent(s): Mr. Brijesh Kumar Tamber, AOR Mr. V Chitambaresh, Sr. Adv. Mr. Chand Qureshi, AOR Mr. Ch. Leela Sarveswar, Adv. Mr. Sonal Gupta, Adv. Mr. A. Syedmusthaba, Adv. Mrs. J.vijyakumari, Adv. Mr. Vijay Kumar, Adv. Mr. Sundeep Pandhi, Adv. Ms. Velasree S, Adv. Mr. Rajat Bajjal, Adv. Mr. Punit Agarwwal, Adv. Mr. Sajal Jain, AOR.*

**J U D G M E N T**

**R. MAHADEVAN, J.**

Leave granted.

**2.** This Civil Appeal has been filed against the judgment and order dated 06.02.2020 passed by the High Court of Judicature at Madras<sup>1</sup> in W.P. No. 33872 of 2017, whereby the High Court upheld the conclusion arrived at by the Debts Recovery Tribunal-I<sup>2</sup>, Chennai and Debts Recovery Appellate Tribunal<sup>3</sup>, Chennai, while remitting the case to the DRT for reconsideration of the valuation of Schedule A to E properties in the recovery proceedings, and accordingly disposed of the writ petition. The High Court further observed that in the event the properties were found to have been sold for a lower value than their actual worth, the appellant herein may be directed to make good the difference.

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<sup>1</sup> Hereinafter referred to as “the High Court”

<sup>2</sup> For short, “the DRT”

<sup>3</sup> For short, “the DRAT”

3. This Court by order dated 18.02.2022 granted an order of stay on implementation of the directions issued in paragraph no.166 of the impugned judgment.
4. During the pendency of this appeal, Respondent No. 9 who was Respondent No. 4 in the writ petition died and his legal representatives were brought on record as 9.1 to 9.4 *vide* order dated 04.03.2024 and cause title was accordingly amended. Despite service of notice, none appeared on behalf of Respondent Nos.9.1 to 9.4, 10 to 13 and 15 to 17.
5. The necessary facts leading to the filing of the present appeal are as follows:
  - 5.1. The appellant is the purchaser of Schedule A to E properties sold through an auction conducted by the Recovery Officer on 29.10.2010 pursuant to the order dated 27.01.2010 passed by the DRT, Chennai in O.A. No. 536 of 1998.
  - 5.2. The aforementioned writ petition bearing No. 33872 of 2017 was filed by Respondent Nos. 1 to 5 (Guarantors) before the High Court to quash the order dated 24.10.2017 passed by the DRAT, Chennai in R.A. No. 59 of 2012, and further set aside the order dated 12.01.2010 passed by the DRT, Chennai, in O.A. No.536 of 1998 and the auction proceedings initiated by the Recovery Officer, pursuant to the same.
  - 5.3. Originally, Respondent No. 6, Indian Bank, Pondicherry, entered into an agreement dated 30.11.1992 with Respondent No. 7 for 'at par facility' in respect of the cheques issued by them on the guarantee that Respondent No. 7 would maintain a cushion fund at all times during the subsistence of the agreement with the bank. However, Respondent No. 7 was irregular in maintaining the cushion funds without following the conditions of the agreement. In many instances there was a shortfall of funds in the account of Respondent No. 7 to honour the cheques. Even so, the bank continued to honour the cheques presented.
  - 5.4. Respondent Nos. 3 and 4 represented by the power of attorney holder / Respondent No. 1 as Document No. 1574 of 1994 dated 26.10.1994 created an equitable mortgage by depositing title deeds of Schedule A, B and C properties measuring 12572 sq.ft. situated in Kambuliswamy Madam Street, Pakkamudayanpet Village, Oulgaret Commune as security for the shortfall of 'at par facility' enjoyed by Respondent No. 7. Similarly, Schedule D and E Properties were also deposited for the shortfall. The bank insisted Respondent No. 7 to make payment of the shortfall arising from the presentation of the cheques issued by them and accordingly sent a legal notice on 31.01.1998 to Respondent No. 7 and others. When Respondent No. 7 failed to repay the amount, the bank filed O.A. No. 536 of 1998 before the DRT, Chennai praying *inter alia* to recover a sum of Rs. 45,66,923.83 as outstanding balance as on 10.02.1998 and direct to pay interest at 20.91% p.a. with quarterly rests from the date of filing of the application till realisation.
  - 5.5. The DRT, Chennai passed a final order on 12.01.2010 in O.A. No. 536 of 1998 *inter alia* holding that the bank was entitled for a Recovery Certificate against Respondent Nos. 1 to 5 and 7 to 13, jointly and severally for a sum of Rs. 45,68,923.83 at 10% per annum simple interest from 10.02.1998 till realisation along with costs. Thereafter, the DRT, Chennai passed an order of attachment on 20.08.2010 and issued the letter of Proclamation of Sale on 21.09.2010 as DRC No. 68/2010. Subsequently, auction was held and the appellant was the successful bidder and an amount of Rs. 55,00,000/- was paid as advance payment for the total sale consideration of Rs. 2,10,98,765/- by the appellant towards the purchase of the aforementioned properties. Pursuant thereto, the DRT, Chennai, confirmed the sale of the schedule A to E mentioned properties and a sale certificate dated 01.02.2011 was duly executed in favour of the appellant by the Recovery

Officer, and the same was registered as Document No. 413 of 2011 dated 02.02.2011 on the file of SRO, Oulgaret.

**5.6.** Aggrieved by the order dated 12.01.2010 passed by the DRT, Chennai, in O.A. No. 536 of 1998, Respondent Nos. 1 to 5 filed an appeal before the DRAT, Chennai in R.A. No. 59 of 2012. The DRAT after contest, passed an order dated 12.11.2010 restraining the Recovery Officer in DRC No.68 of 2010 from confirming the auction sale that had taken place on 29.10.2010 and by order dated 11.11.2014, disposed R.A. No. 59 of 2012 and remanded the case in O.A. No. 536 of 1998 to the DRT, Chennai for fresh consideration.

**5.7.** Subsequently, the aforesaid order dated 11.11.2014 passed in R.A. No. 59 of 2012 was set aside and the matter was remitted to the DRAT for re-appreciation of the evidence, by order dated 24.04.2017 passed by the High Court in W.P. Nos. 32008 and 34693 of 2014 and W.P. No. 32723 of 2015. With regard to W.M.P. No. 7111 of 2017 filed by the appellant for return of money paid by them in the auction proceedings, the High Court granted liberty to the appellant to approach the DRAT with similar prayer and the DRAT was directed to dispose of the same.

**5.8.** On remand, the DRAT by order dated 24.10.2017, dismissed R.A. No. 59 of 2012 and affirmed the order of the DRT, Chennai dated 12.01.2010, holding that the defaulters cannot take advantage of their internal disputes and that, the banks are custodians of public money, and interest of the third-party bidder purchaser should also be protected who had spent more than Rs. 2 crores in the year 2010 as a *bona fide* purchaser. Challenging the same, Respondent Nos. 1 to 5 filed W.P. No. 33872 of 2017 before the High Court.

**5.9.** By the impugned judgment dated 06.02.2020, the High Court disposed of the aforesaid W.P. No. 33872 of 2017 holding that there was an equitable mortgage and since the amounts were not repaid, the bank was entitled to recover the due from Respondent Nos. 1 to 5 along with others jointly and severally and liquidate the assets to satisfy the dues. The High Court further held that the issue regarding the valuation adopted for Schedule A to E properties in the recovery proceedings has to be decided by the DRT afresh and in case, the properties have been sold for a lower value, the appellant may be directed to pay for the same. Thus, the High Court upheld the conclusion arrived at by the DRT and DRAT while remitting the case to the DRT for the limited purpose of valuation of Schedule A to E properties in the recovery proceedings.

**5.10.** It is in these circumstances that the appellant has come up with the present appeal.

**6.** The learned senior counsel for the appellant at the outset, submitted that the appellant is aggrieved only by the limited portion of the impugned judgment whereby the High Court, despite upholding the validity of the auction and the rights of the appellant as a successful auction purchaser, remanded the matter to the DRT for revaluation of the properties nearly ten years after the auction sale had been concluded. It was contended that while the High Court affirmed the orders of the DRT and DRAT insofar as they recognized the Bank's right to recover its dues from Respondent No. 7 by sale of Schedule A to E properties mortgaged by Respondent Nos. 1 to 5 and upheld the legality of the auction proceedings, it erred in directing revaluation without assigning any cogent reasons.

**6.1.** It was submitted that the Engineers' Valuation Report Summary dated 08.09.2010, pertaining to Schedule A to E properties, was prepared in accordance with law and reflected prevailing market rates in the year 2010. The DRT, Chennai, acting on the said

valuation of Rs. 4,34,45,400/-, issued the proclamation of sale and conducted the auction. The valuation report was placed on record and was never challenged by the respondents.

**6.2.** The learned senior counsel further submitted that pursuant to recovery proceedings initiated by the bank, the mortgaged properties were brought to sale in DRC No. 68 of 2010. The public auction was conducted on 29.10.2010 at Indian Bank, Circle House, Puducherry, at an upset price of Rs. 2 crores. The appellant emerged as the highest bidder with a bid of Rs. 2,10,98,765/- and paid 25% of the sale consideration immediately. Upon seeking extension of time from the DRT, which was duly granted, the appellant paid the entire balance consideration. The sale was confirmed by the DRT on 31.01.2011, a Sale Certificate dated 01.02.2011 was issued by the Recovery Officer, and the same was registered on 02.02.2011 as Document No. 413 of 2011 before the SRO, Oulgaret. Accordingly, the title stood transferred in favour of the appellant.

**6.3.** It was emphasized that none of the steps including the proclamation, auction, confirmation of sale, or issuance of Sale Certificate, were ever challenged by the respondents at the relevant time. The appellant thereafter took possession and invested substantial amounts in maintenance and improvements, including construction of an additional floor, payment of property taxes from 2011 onwards, securing electricity, gas and water connections, obtaining necessary approvals and licenses, and deploying security for safeguarding the property. Though the respondents preferred an appeal after considerable delay challenging the recovery proceedings, neither the proclamation nor the auction sale was specifically assailed. Both the DRT and DRAT concurrently upheld the legality and validity of the auction and recognised the appellant as a *bona fide* purchaser. The DRAT, by order dated 24.10.2017 in R.A. No. 59 of 2012 categorically held that defaulters cannot take advantage of internal disputes, that banks are custodians of public money, and that interest of the third-party *bona fide* auction purchaser who had invested over Rs. 2 crores in 2010 must be protected.

**6.4.** Relying upon the settled principle that the rights of a *bona fide* auction purchaser deserve protection, the learned counsel placed reliance upon the decisions of this Court in ***Janatha Textiles v. Tax Recovery Officer***<sup>4</sup> and ***Sadashiv Prasad Singh v. Harendar Singh and others***<sup>5</sup> to contend that the interest of a stranger purchaser is protected even if the underlying decree is subsequently set aside or otherwise. It was submitted that courts have consistently distinguished between a decree-holder purchaser and an independent third-party purchaser, and that unless such protection is extended, court sales would not fetch market value or fair price of the property.

**6.5.** Reliance was also placed on ***Valji Khimji and Co. v. Official Liquidator of Hindustan Nitro Product (Gujarat) Ltd.***<sup>6</sup> to contend that once a sale is confirmed by the authority, certain rights accrue in favour of the auction purchaser which cannot be lightly disturbed except in exceptional cases such as fraud. In the present case, there has been concurrent factual determination by the DRT and DRAT upholding the validity of the auction, and no finding of fraud has been returned. The High Court itself upheld the auction, and therefore remanding the matter for revaluation without disturbing the sale was legally untenable.

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<sup>4</sup> (2008) 12 SCC 582

<sup>5</sup> (2015) 5 SCC 574

<sup>6</sup> (2008) 9 SCC 299

**6.6.** Reference was made to the decisions in ***Shaeb Khan v. Mohd. Yosufuddin and others***<sup>7</sup> and ***Central Bank of India v. C.L. Vimala and others***<sup>8</sup>, wherein, this Court observed that if every confirmed auction sale were to be reopened on the basis of a higher offer or speculative revaluation, no court sale would ever attain finality. It was emphasised that particularly where the auction was conducted with due publicity and no irregularity in the conduct of the sale is alleged or established, interference after confirmation would undermine certainty and finality in judicial sales.

**6.7.** The learned senior counsel submitted that the High Court, while directing revaluation, assigned no reason for doubting the Engineer's valuation report dated 08.09.2010, nor did it record any finding of material irregularity in the conduct of sale. The direction for revaluation nearly 14 years after the auction would cause grave prejudice, since determining the 2010 market value at this belated stage would be speculative and inherently uncertain.

**6.8.** It was urged that the litigation has been pending since 1998 and the appellant, despite having paid the entire sale consideration in 2010 and obtaining a registered sale certificate in 2011, has been unable to fully enjoy the property owing to continuous litigation. Revaluation at the present stage would only prolong the dispute and cause further injustice to a *bona fide* purchaser.

**6.9.** Without prejudice to the above submissions, the learned senior counsel submitted that if this Court were inclined to unsettle the auction, the appellant no longer has any commercial interest in retaining the property, having suffered prolonged financial loss. It was therefore prayed that the appellant be permitted to return the property to the DRT, and the entire sale consideration paid by him be refunded together with interest and the expenses incurred thereon.

**6.10.** In support of the alternative prayer for refund with interest, reliance was placed on the judgment dated 18.04.2024 passed in SLP (C) No. 24155 of 2018 [***Govind Kumar Sharma and another v. Bank of Baroda and others***], wherein this Court directed refund of auction money with 12% per annum compound interest in view of illegality in the auction process.

**6.11.** On the aforesaid grounds, the learned senior counsel prayed that the impugned judgment of the High Court be set aside to the extent it remands the matter for reconsideration of valuation issue, and that the order dated 24.10.2017 passed by the DRAT be restored; or in the alternative, appropriate direction for refund with interest be issued.

**7. Per contra**, the learned senior counsel for Respondent Nos. 1 to 5, 7 and 14 submitted that the auction sale conducted pursuant to Recovery Certificate in DRC No. 68 of 2010 is itself illegal and *non est* in the eye of law. It was contended that the appellant / auction purchaser failed to comply with the mandatory requirements governing auction sales, inasmuch as he neither paid 25% of the bid amount on the date of auction nor remitted the balance 75% within 15 days. Consequently, no valid sale ever came into existence and the appellant acquired no right, title, or interest in the subject properties.

**7.1.** It was further submitted that the validity of the final order passed by the DRT, Chennai in O.A. No. 536 of 1998 itself is not admitted by the respondents. Even assuming the said order to be valid for the sake of argument, the Recovery Certificate in DRC No. 68 of 2010

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<sup>7</sup> (2006) 4 SCC 476

<sup>8</sup> (2015) 7 SCC 337

was withdrawn on 22.12.2014. As on date, there is no subsisting Recovery Certificate in force. Therefore, the final amount allegedly due in O.A. No. 536 of 1998 must first be determined afresh through a valid Recovery Certificate.

**7.2.** The learned senior counsel emphasised that the jurisdiction of the Recovery Officer commences only after the issuance of a Recovery Certificate by the DRT and upon its transmission to the Recovery Officer. In the absence of a subsisting Recovery Certificate, all consequential proceedings, including the auction and valuation, are vitiated for want of jurisdiction.

**7.3.** The learned senior counsel further alleged that the appellant has suppressed material facts and has not approached this Court with clean hands. It was contended that the appellant had surrendered the original Sale Certificate dated 01.02.2011 before the Recovery Officer, but thereafter unlawfully removed the same from the case bundles of the DRT, Chennai and used it to obtain a loan from Reliance Capital Finance Ltd. Such conduct, it was alleged, amounts to fraud upon the Court and legal forums, thereby disentitling the appellant to any equitable relief.

**7.4.** It was also submitted that the appellant had consistently taken a stand before the Recovery Officer, DRT, DRAT, and the High Court that he had abandoned his interest in the subject property, was not in possession thereof, and sought only refund of the sale consideration. Acting on such representation, the Recovery Officer passed an order dated 13.11.2015 in CP Nos. 5(A) to 5(D) of 2015 in DRC No. 68 of 2010 in O.A. No. 536 of 1998, directing the Bank to refund the amount along with interest. Having taken a categorical position seeking refund and abandonment of the property, the appellant is now estopped from asserting any right or title over the subject properties.

**7.5.** The learned senior counsel reiterated that the appellant has not paid the entire sale consideration in accordance with law and, therefore, is not entitled to claim any interest in the subject properties. Since the auction sale itself is void and *non est*, the appellant lacks *locus standi* to maintain the present proceedings or seek any relief before this Court.

**7.6.** On the aforesaid grounds, the learned senior counsel prayed that the appeal be dismissed holding that the auction sale is illegal and that the appellant has no enforceable right in the subject properties.

**8.** The learned counsel appearing for Respondent No. 6 bank submitted that the auction sale in the present case, was not conducted under the provisions of the SARFAESI Act, 2002, but was carried out by the Debts Recovery Tribunal in accordance with the provisions of the Recovery of Debts Due to Banks and Financial Institutions Act, 1993 and the procedure prescribed under Rules 38, and 52(2) of the Second Schedule to the Income Tax Act, 1961, which govern recovery proceedings before the Recovery Officer. It was submitted that the sale process was conducted in a transparent and lawful manner strictly in accordance with the statutory procedure.

**8.1.** It was submitted that the DRT had ordered attachment of the borrower's properties on 20.08.2010 on account of default in repayment of a sum of Rs.1,03,42,523.91 due to the Bank, in compliance with Debts Recovery Certificate No. 68/2010 dated 29.06.2010 issued in O.A. No. 536 of 1998. Thereafter, while issuing the proclamation of sale on 21.09.2010, the Recovery Officer took into consideration the valuation report dated 08.09.2010 in respect of the secured assets.

**8.2.** It was further submitted that the auction of the scheduled properties was conducted on 29.10.2010 at 2.00 PM with an upset price of Rs. 2 crores, which had been fixed by

the Recovery Officer of the DRT against the assessed market value of Rs. 1,24,60,000/-. Sixteen bidders had expressed interest and participated in the auction proceedings. Against the upset price of Rs. 2 crores, the appellant submitted the highest bid of Rs. 2,10,98,765/- which was accepted, and the appellant was declared the successful bidder. The appellant deposited Earnest Money of Rs. 55,00,000/- with the DRT on 29.10.2010.

**8.3.** It was submitted that although there was some delay on the part of the auction purchaser in depositing the balance sale consideration, such delay was duly condoned by the DRT by order dated 15.11.2010. Thereafter, upon payment of the entire bid amount, the sale was confirmed by the DRT by order dated 31.01.2011, and the sale certificate was subsequently issued in favour of the auction purchaser in accordance with law. The said sale has thus attained finality.

**8.4.** The learned counsel submitted that there was no connivance whatsoever between the Bank and any bidder, as the auction was conducted under the supervision of the Recovery Officer of the DRT in a transparent manner with participation of multiple bidders. In terms of the sale proceeds deposited by the successful bidder, an amount of Rs. 1,03,42,523.91 was released to the Bank towards satisfaction of its dues, while the surplus amount continues to remain with the DRT. The Bank has no control over such surplus amount nor any claim thereto.

**8.5.** It was further submitted that despite the lapse of nearly fourteen years, the borrowers have not approached the DRT seeking release of the surplus amount lying with the Tribunal. The borrowers have thus failed to take appropriate steps in accordance with law for claiming the said amount.

**8.6.** It was submitted that the borrowers have made various allegations regarding the conduct of the Bank, including alleged incorrect valuation of the property, but such allegations are unsupported by any material evidence. In this regard, reliance was placed on the decision of this Court in **Noida Special Economic Zone Authority v. Manish Agarwal and others**<sup>9</sup>, wherein it was observed that issues relating to valuation are essentially questions of fact, and where the valuation is based on relevant material on record, the same ordinarily does not warrant interference.

**8.7.** The learned counsel further submitted that the disputes now raised by the borrowers are illusory and moonshine. Even assuming that the borrowers were aggrieved by the conduct of the Bank or the auction proceedings, no appeal or special leave petition has been filed by them challenging the impugned judgment. In the absence of any such challenge, it cannot be said that the borrowers are aggrieved parties before this Court.

**8.8.** It was submitted that the allegations raised by the borrowers in their counter affidavit are merely a reiteration of the contentions urged before the forums below. After due consideration of these submissions, the DRT, DRAT and the High Court have all upheld the validity of the auction proceedings, and no ground has been shown to warrant interference with those concurrent findings.

**8.9.** The learned counsel clarified that the Bank does not wish to independently oppose the present petition, as no substantive relief has been sought against the Bank.

**8.10.** It was submitted that the Bank shall abide by any direction that may be passed by this Court in the interest of justice. However, it was pointed out that continued litigation in respect of the recovery proceedings may result in accrual of further interest in accordance

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<sup>9</sup> 2024 INSC 839

with banking norms, which would ultimately increase the financial burden upon the borrowers / mortgagors.

**8.11.** Accordingly, it was submitted that the Bank has acted strictly in accordance with law and the recovery already effected pursuant to the auction proceedings ought not to be disturbed.

**9.** We have heard the learned Senior Counsel for the appellant, the learned Senior Counsel appearing for Respondents 1 to 5, 7 and 14, the learned counsel for Respondent No.6 and the learned counsel for Respondent No.8, and also perused the materials available on record.

**10.** Admittedly, the DRT initiated recovery proceedings at the instance of Respondent No. 6 bank against Respondent No. 7 company and its directors and guarantors for recovery of the outstanding dues. By the final order passed in O.A. No. 536 of 1998, the DRT held that the bank was entitled to recover the amounts due. Thereafter, in execution of the said order, the DRT issued Debt Recovery Certificate No. 68 of 2010 dated 29.06.2010. As the respondents failed to comply with the terms of the recovery certificate and pay a sum of Rs.1,03,42,523.91, the DRT passed an order of attachment dated 20.08.2010. Pursuant thereto, auction of the secured properties was conducted on 29.10.2010, in which, the appellant emerged as the highest bidder. The sale was thereafter confirmed by the DRT, and a Sale Certificate was issued in favour of the appellant and duly registered on 02.02.2011. The order of the DRT was subsequently challenged before the DRAT in R.A. No. 59 of 2012. By its order dated 24.10.2017, the DRAT affirmed the legality of the auction proceedings and protected the rights of the auction purchaser, thereby disposing of the appeal. Aggrieved thereby, the guarantors approached the High Court by filing W.P. No. 33872 of 2017.

**11.** By the impugned judgment dated 06.02.2020, the High Court, while upholding the validity of the auction sale and recognising the rights of the appellant as the auction purchaser, nevertheless directed reconsideration of the valuation of the properties and remitted the matter to the DRT on that limited aspect. The relevant operative portions of the impugned judgment are reproduced below for better appreciation:

***“164.** Thus, there is no necessity for creation of by deposit of title deed with the original. The 1<sup>st</sup> and the 2<sup>nd</sup> petitioners had authority to create security which they did. They had intention to create such security for the outstanding amount.*

*165. We therefore disagree with the case of the petitioners that there was no mortgage of Schedule A to E properties or that the securities that were offered by the petitioners were only for the “At Par Facility” liability in respect of which there was no dues as on 29.8.1997. The outstanding amount that was due in the said facility was allowed to be repaid as a “Temporary Overdraft Facility” after obtaining additional securities in the form of letters of guarantee from Dr V. Sambhasivam, the 2<sup>nd</sup> defendant, 3<sup>rd</sup> and the 4<sup>th</sup> respondent herein. Since the amounts were not repaid, the 1<sup>st</sup> respondent Bank was entitled to recover the due from the petitioners along with others jointly and severally and liquidate the asset to satisfy the dues.*

*166. We however leave the issue regarding the valuation adopted for the Schedule A to E properties in the Recovery Proceedings to be decided by the DRT afresh. In case, the properties have been sold for a lower value, the 9<sup>th</sup> respondent may be directed to pay for the same.*

*167. In the light of the above discussion, we are constrained to uphold the ultimate conclusion arrived by the DRT and the DRAT while remitting the case back to the DRT as far as valuation of Schedule A to E properties in the recovery proceedings...”*

12. At the outset, it is pertinent to note that the appellant does not assail the impugned judgment of the High Court in its entirety. The challenge in the present appeal is confined only to that part of the judgment whereby the High Court directed reconsideration of the valuation of the Schedule A to E properties by the DRT, notwithstanding the fact that the auction sale had already been concluded and confirmed in accordance with law. The findings of the High Court affirming the liability of the guarantors and upholding the recovery proceedings are not under challenge herein. Thus, the limited grievance of the appellant is that after confirmation of the sale, the High Court ought not to have remitted the issue of valuation for fresh consideration by the DRT, as such a direction unsettles a concluded auction process and is contrary to the settled principles governing finality of court-confirmed sales.

13. It is not in dispute that the recovery proceedings in the present case were initiated pursuant to a recovery certificate issued under the Recovery of Debts Due to Banks and Financial Institutions Act, 1993 and that the Recovery Officer conducted the auction sale by following the procedure prescribed under the Second Schedule to the Income Tax Act, 1961. The record indicates that the valuation report dated 08.09.2010 was obtained prior to issuance of the proclamation of sale. Sixteen bidders are stated to have participated in the auction and the appellant emerged as the successful bidder with a bid of Rs.2,10,98,765/-. The sale was thereafter confirmed by the DRT on 31.01.2011 upon deposit of the entire sale consideration and a sale certificate came to be issued.

14. It is the specific contention of the learned senior counsel for the appellant that once the auction sale was confirmed and the purchaser was a *bona fide* third-party bidder, the sale ought not to be disturbed except in cases of fraud or material irregularity. Reliance has been placed upon several decisions of this Court emphasising the protection ordinarily accorded to confirmed auction sales and the need to maintain certainty in judicial sales.

15. While there can be no quarrel with the settled proposition that the rights of a *bona fide* auction purchaser deserve due protection and that confirmed court sales should not ordinarily be interfered with, it is equally well established that such protection is not absolute. Where credible issues are raised regarding the adequacy of valuation or the fairness of the process leading to the fixation of the reserve price, the supervisory jurisdiction of the Court may be invoked to ensure that the recovery proceedings have been conducted in a manner that secures the best possible value of the property. The objective of recovery proceedings is not merely to complete the sale but to realise the maximum value of the secured asset so as to balance the interests of the creditor and the borrower. In this regard, reference may be made to the decision of this Court in **Rajiv Kumar Jindal v. BCI Staff Welfare Association**<sup>10</sup>, wherein, it was observed that the purpose of an auction is to obtain the most remunerative price for the property by affording an opportunity to intending purchasers to participate in a process of competitive bidding, thereby ensuring transparency and fairness in the sale. The Court further emphasized that if the process of competitive bidding is curtailed or compromised, the possibility of underbidding or securing an inadequate price cannot be ruled out. In such circumstances, the court is required to exercise its discretion with circumspection so as to safeguard the legitimate interests involved in the sale process. The following paragraphs are apposite:

*“24. The object of the auction is to secure optimum realisable value of the property by giving opportunity to the potential buyers facing competitive bids either in open or closed format. The terms “auction” or “bid” are inter-related as both give the idea of selling the product to the public.*

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<sup>10</sup> (2023) 238 Comp Cas 227 : 2023 SCC OnLine SC 507

*Bidding involves the process where a person offers a price which is known as a bid. The process of bidding takes place in a situation where large number of people show their willingness to buy a particular product or a service and bidding in a sealed envelope is often used by various companies, industries and small businesses for assessing the needs of the public at large. On the other hand, auction is the process that involves buying and selling goods and services by offering them for bids, taking bids and selling the item to the highest bidder and that is possible if there is a competitive bidding between the bidders.*

*25. The purpose of auction (open or close format) is to get the most remunerative price and giving opportunity to the intending bidders to participate and fetch higher realizable value of the property. If that path is cut down or closed, the possibility of fraud or to secure inadequate price or underbidding would loom large. In the given circumstances, it is the duty of the court to exercise its discretion wisely and with circumspection and keeping in view the facts and circumstances in each case.*

*26. The object of auction has been considered by this court in Lakshmanasami Gounder v. C.I.T. Selvamani as under: -*

*“...The object of the sale is to secure the maximum price and to avoid arbitrariness in the procedure adopted before sale and to prevent underhand dealings in effecting sale and purchase of the debtor’s property. Public auction is one of the modes of sale intending to get highest competitive price for the property. Public auction also ensures fairness in actions of the public authorities or the sale officers who should act fairly and objectively. Their action should be legitimate. Their dealing should be free from suspicion. Nothing should be suggestive of bias, favouritism, nepotism or beset with suspicious features of underbidding detrimental to the legitimate interest of the debtor. . .”*

**16.** In the present case, the High Court, upon examining the record, was of the view that the question relating to valuation of the property and the fixation of the reserve price warranted closer scrutiny. Significantly, the High Court has neither set aside the auction sale nor questioned the participation of the auction purchaser; rather, it has confined its direction to a reconsideration of the issue of valuation by the DRT.

**17.** Moreover, the direction issued by the High Court merely remits the matter to the DRT for examination of the valuation with reference to the relevant materials on record including the valuation report and the circumstances in which the reserve price came to be fixed. Such a limited remand does not prejudge the rights of the auction purchaser, but enables the DRT to assess whether the valuation and fixation of the reserve price were in accordance with law. Further, the remand does not disturb the recovery already effected by the bank nor does it render the auction proceedings void. Therefore, such a limited remand for fresh consideration by the DRT cannot be said to be legally untenable.

**18.** The contention of the learned senior counsel for the appellant that the confirmation of the sale renders the matter entirely immune from further scrutiny cannot be accepted in the absolute terms in which it has been urged. The principle of finality attached to court-confirmed auction sales cannot operate to shield the process from judicial examination where the question relates to the adequacy of valuation or fixation of reserve price, particularly when such examination is necessary to ensure that the secured asset has fetched the best possible price. The requirement that the recovery process be fair, transparent and based on a proper assessment of value must co-exist with the principle of finality governing confirmed sales.

**19.** The submission of the learned counsel for the Bank that the auction was conducted in accordance with the prescribed statutory procedure and that the recovery amount has already been realised does not detract from the limited jurisdiction exercised by the High

Court. The remand directed is confined to the issue of valuation and leaves it open to the Tribunal to examine the matter in accordance with law.

**20.** In view of the above, no error can be found in the course adopted by the High Court in remitting the matter to the DRT for reconsideration of the issue of valuation, which reflects a balanced exercise of jurisdiction and does not require interference by this Court.

**21.** Accordingly, the Civil Appeal stands dismissed. However, there is no order as to costs.

**22.** Pending application(s), if any, shall stand disposed of.

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